

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2211

ANSWERED ON:11.12.2015

Funding from Private Sector

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Will the Minister of FINANCE be pleased to state:

- (a) whether the panel headed by Prof. Tarun Khanna has submitted its report to review the existing initiative aimed at promoting investors and entrepreneurship in India;
- (b) if so, the details thereof and the recommendations made therein;
- (c) whether the panel suggests funding from the private sector for Research and Development project and create a Fund of Funds to seed the early stage of venture funds with the corpus of Rs. 5000 crore; and
- (d) if so, the details thereof and action taken by the Government thereon?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI JAYANT SINHA)

(a) Yes, Sir.

(b) The Expert Committee on Innovation and Entrepreneurship under the Chairmanship of Prof. Tarun Khanna, Director, South Asia Institute, Harvard University, USA has submitted its report in October, 2015. The Committee has made wide ranging recommendations for short term (where action can be taken relatively quickly to deliver almost immediate payoffs), Medium term (that can be addressed within a 5-7 year time frame) and Long term, which are likely to have long gestation periods, but will lead to a profound transformation in the entrepreneurial fabric of the country. A gist of the recommendations of the Expert Committee is at Annexure-I.

(c)& (d) One of the recommendations of the Expert Committee is as under:

"1% of corporate profit could be directed towards research labs in universities and/ or industry-university collaborative research. The government could provide some tax benefits against this. Monitoring of this rule should focus not only on the absolute amount channelled into universities, but also on the efficiency of spending, that is, it needs to be output-rather than input-oriented. The idea here is that universities become the breeding ground for

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new technology/ ideas that can be used by the corporate sector. Firms would implicitly be outsourcing R&D financing development of products/ services that can be bought by them. In that sense, this financing would be perceived as absolutely core and fundamental to a firm's operations, rather than as a CSR-related activity. Though the actual development of R&D may take some time, beginning the involvement of the corporate sector in the financing of universities could be achieved relatively quickly."

The Expert Committee has also recommended as under:

"Government could establish a "fund-of-funds (FOF)" to seed other early stage venture funds, with a corpus of Rs. 5000 crore. This FOF will invest as an anchor investor in a number of Alternative Investment Funds (AIF). These AIFs will raise capital from other sources - domestic and foreign - thereby creating a multiplier effect. This could result in capital flow of up to Rs. 25,000 crore over the next 10 years. The India Opportunities Venture Fund, set up under SIDBI by the Government of India should also play this role."